

Local Government Management Guide

Reserves



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OFFICE OF THE STATE COMPTROLLER

As a local official, you need the tools to do your job. The Office of the State Comptroller also recognizes that you need to be kept up-to-date on financial practices and developments. We have developed a new publication entitled the *Local Government Management Guide*, which replaces the *Financial Management Guide for Local Governments*. Sections of the new publication will be released periodically. The new guide includes technical information as well as suggested practices for local government operations.

Reserves, the second section of this new guide, is now available. We believe that you will find this release and subsequent sections an easy-to-use tool and resource. *The Local Government Management Guide* is available in electronic format, including CD, so that it can be easily updated. The publication is also available on our web site, www.osc.state.ny.us.

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Reserve Funds

Introduction

In our personal lives, saving or putting money aside to finance future needs is a common practice. Unquestionably, strong arguments can be advanced for accumulating funds. The disputable philosophy, “live for today and let tomorrow take care of itself” can easily be refuted with many savings slogans such as “prepare for a rainy day.”

These practices are equally important for New York’s local governments. Legally established reserves can provide many benefits to municipalities* and their citizens. Available moneys can be set aside to finance all or part of planned projects, thereby reducing the need to issue costly debt. Reserves can provide a degree of financial stability. In uncertain economic times, reserve funds may give managers options other than cutting services or raising taxes. In good times, moneys not needed for current purposes can often be set aside for future benefit.

Overview

The purpose of this chapter is to assist public officials in the establishment and use of reserve funds in accordance with law.

It discusses:

- General provisions for reserves.
- Which reserve funds municipalities or districts are permitted or obligated to create under General Municipal Law, Education Law, Town Law, County Law, and others.
- The purposes for which each reserve fund may be used.
- Special provisions that pertain to the various reserve funds, such as the maximum amount of balance permitted in certain reserve funds, the maximum amount which can be paid into certain reserve funds in any fiscal year and referendum requirements on establishing or expending reserve funds.
- Permitted uses of any unobligated or excess balances of reserve funds.

Because of the complexity of the legal statutes, we encourage local officials to consult with their municipal attorney and to carefully exercise professional judgment in determining how best to include reserve funds in the overall financial management policies of their government.

Note that throughout this chapter the term **municipalities will refer collectively to counties, cities, towns and villages.*

I. General Provisions

Background

Municipalities, like any other entity, need to accumulate funds for future contingencies. However, if the adopted budget is on the mark total revenues plus appropriated fund balance would equal total expenditures with a zero fund balance remaining at the end of the fiscal year, leaving nothing to accumulate.

In accordance with state statutes, many municipalities may include in their budgets an amount for estimated unappropriated, unreserved fund balances for each fund. Such estimate may not exceed a reasonable amount, consistent with prudent budgeting practices, necessary to ensure the orderly operation of the government (see Town Law, §107[1][b], Village Law, §5-506[1][c], and County Law §355 [1][g]).

Fortunately, municipalities are not precluded from setting aside and accumulating funds. This is accomplished by establishing reserve funds, which provide a means for raising money today, investing it and spending the money and earnings in the future.

The decision to establish reserve funds, other than “mandatory” reserves, is left up to the governing board of each municipality. The purpose of this chapter is to offer a reference document on legally authorized reserve funds. Hopefully, it will serve to acquaint officials with legal requirements so that the establishment and use of reserve funds comply with law.

“Reserve” is a term used to describe a portion of the fund equity that is legally segregated for a specific future use and therefore not appropriable for expenditure.

In general, reserves are designed to segregate resources to provide for future contingencies and plan for major capital outlays, thereby reducing the need to rely on borrowing or outlays of current funds to finance such events. In addition, there are specific instances where law requires the establishment of reserves. For example, if a municipality issues obligations for the total cost of a project and subsequently receives state or federal aid, the aid must be reserved for debt service payment, to the extent obligations remain outstanding.

Included in later sections are brief explanations of many of the reserves that may be used by various local government units.

Reserve Fund Records

Statutory provisions generally require the chief fiscal officer (or in a school district, the “school authorities”) to keep a separate account for each reserve fund. Each account generally must show:

- The date and amount of each sum paid into the fund.
- Interest earned by the fund.
- Capital gains or losses resulting from the sale of investments of the fund.
- Interest or capital gains which have accrued to the fund.
- The amount and date of each withdrawal from the fund.
- The assets of the fund, showing cash balance and a schedule of investments.

This information may be used for the detailed report of the operation and condition of the fund, which the chief fiscal officer or school authorities generally must submit to the governing board each year. For specific record-keeping requirements, please refer to each enabling statute.

Investment of Reserve Funds

The governing board (or chief fiscal officer, if the board delegates such duty) may invest reserve fund moneys generally in the manner provided in General Municipal Law §11. In school districts, investments are made by “school authorities” or by the treasurer, if delegated by the school authorities. Interest earned or capital gains realized on investments accrues to, and becomes part of, each reserve fund (see for example, General Municipal Law, §§6-c [7], 6-d [4], 6-e [5], 6-f [4], 6-g [6], 6-h [9], 6-j [3], 6-k, 6-l [6], 6-m [3], 6-n [5], 6-o, 6-p [4]; Town Law, §55-c [2]; Education Law, §3651 [2]).

Governing Board As Trustees/Misdemeanor Penalty

Many of the statutes authorizing the creation of reserve funds expressly declare that the members of the governing board (and in some instances, any officer) are trustees of the fund and are subject to all the duties and responsibilities imposed by law on trustees (see, for example, General Municipal Law, §§6-c [11], 6-d [5], 6-e [7], 6-f [5], 6-g [10], 6-h [8], 6-l [5]; Town Law §55-c [4]).

In addition, many of these statutes also provide that a member of the governing board shall be guilty of a misdemeanor if he or she authorizes a withdrawal from a fund for any purpose other than that authorized by law, or expends any money withdrawn from the fund for purposes other than that for which it was authorized to be withdrawn (see, for example, General Municipal Law, §§6-c [12], 6-d [6], 6-e [8], 6-f [6], 6-g [11], 6-h [10], 6-l [7], 6-n [12], 6-p [8]).

Deposit of Reserve Funds

Moneys in the following reserve funds must be deposited in a separate bank account in an official depository: Snow and Ice Removal and Road Repair (GML §6-f [4]); BOCES - Property Loss Reserve Fund and Liability Claims Reserve Fund (Education Law §1950 [4] [cc]), and Career Education Instructional Equipment Reserve Fund (Education Law §1950 [ee]). Moneys in all other reserve funds are not required to be deposited in separate bank accounts. However, separate accounting records must be maintained for each fund, and the balances of all related bank accounts attributable to each reserve fund must be clearly identified.

II. Reserves Authorized By General Municipal Law (GML) Sections

	6-c	6-d	6-e	6-f	6-g	6-h	6-i	6-j	6-k	6-l	6-m	6-n	6-o **	6-p
County	X	X	X	X		X	X	X	X	X	X	X	X	X
City	X	X	X	X		X	X	X	X	X	X	X	X	X
Village	X	X	X	X		X	X	X	X	X	X	X	X	X
Town	X	X	X	X		X	X	X	X	X	X	X	X	X
Fire District		X	X		X	X		X		X	X	X		X
School District		X						X		X	X	X *		X*
BOCES											X	X		X
Town, County, Sewer or Water Improvement District	X													
District Corporation		X										X		X
Town or County Improvement District		X								X				
Special Improvement District governed by separate board												X		X

* Except a district in a city with a pop. of 125,000 or more

** May also be created by certain "Solid Waste Management Districts," Public Authorities and Public Benefit Corporations

Name of Reserve	GML Section
Capital	6-c, g
Repair	6-d
Contingency and Tax Stabilization (effective 7/31/92)	6-e
Snow and Ice Removal and Road Repair	6-f
Reserve Fund for Payment of Bonded Indebtedness	6-h
Airport Amortization	6-i
Airport Development	6-i
Workers 'Compensation	6-j
Electric Utility Depreciation	6-k
Mandatory	6-l
Unemployment Insurance Payment	6-m
Insurance	6-n
Solid Waste Management Facility	6-o
Employee Benefit Accrued Liability	6-p

Capital Reserve Fund (GML §§6-C, 6-G)

Purpose: To finance all or part of the cost of construction, reconstruction or acquisition of a specific item or type of capital improvement or acquisition of a specific item or type of equipment (§§6-c [2], 6-g [2]).

The term “capital improvement” means: (1) any physical betterment or improvement or any preliminary studies and surveys relative thereto; (2) lands or rights in land; (3) any furnishings, equipment, machinery or apparatus for any physical betterment or improvement acquired at the time when such betterment or improvement is constructed, reconstructed or acquired (§§6-c [1], [b]; 6-g [1], [a]).

The term “equipment” includes any equipment, machinery or apparatus not included in the definition of “capital improvement” and for the acquisition of which a period of probable usefulness has been provided by law (§§6-c [1], [c]; 6-g [1], [b]; for periods of probable usefulness see Local Finance Law, §11.00).

Who May Create: Counties, cities, villages, towns, fire districts and sewer and water improvement districts (§§6-c [2], §6-g [2]; see also 6-g [12] concerning certain water districts which have powers of fire districts).

Note that capital reserve funds may not be established for capital improvements constructed, reconstructed or acquired, or equipment acquired on (a) behalf of an improvement district or other similar district (other than a sewer and/or water district) located within a municipality, or (b) where all or part of the costs are borne by assessments for benefit or ad valorem taxes upon real property within an area of benefit in a municipality (other than a sewer and/or water district). However, if a capital reserve fund is established for a specific improvement (§6-c [3]) and it is later determined that part of the cost of the capital improvement is to be borne by assessments or ad valorem taxes on real property within an area of benefit, then moneys in the fund may be used to pay all or part of the share of the costs to be borne by the municipality at large (§6-c [8]).

How To Create And Use:

For “Specific” Improvement or Equipment:

“Specific” Improvement or Equipment

Action of the governing board establishing a capital reserve fund is subject to permissive referendum if the authorization to issue obligations for such an improvement or equipment would be subject to a permissive or mandatory referendum. An authorization to issue obligations would be

(continued on following page)

subject to referendum only if such obligations are to have a proposed maturity of more than five years (or not less than some other minimum period). The establishment of a fund is subject to permissive referendum only if the period of probable usefulness of the capital improvement or equipment is equal to or more than such minimum period of maturity. Also, the authorization must set forth the estimated maximum cost of the equipment or improvement (General Municipal Law, §§6-c [4], 6-g [3]; see Local Finance Law, §11.00 for period of probable usefulness). A referendum is not required on expenditure (see examples which follow).

*How To
Create And
Use:*

*"Type"
Improvement
or
Equipment*

"Type" of Improvement or Equipment:

A referendum is not required on the establishment of the fund; however, any expenditure is subject to a permissive referendum if the capital reserve authorization to issue obligations would be subject to permissive or mandatory referendum. An authorization to issue obligations for such improvements or equipment would be subject to referendum only if such obligations have a proposed maturity of more than five years, or not less than some other minimum period. Any expenditure from the fund is subject to permissive referendum only if the period of probable usefulness of the capital improvement or equipment is equal to or more than such minimum period of maturity (General Municipal Law, §§6-c [8], 6-g [7]; see Local Finance Law (LFL), §11.00 for period of probable usefulness). (See examples which follow). There is no requirement to state the estimated maximum amount of the cost of the equipment or improvement in the enabling legislation.

Examples of "Specific" and "Type":

	IMPROVEMENTS	EQUIPMENT
"Specific"	City Hall Town Garage County Jail Fire House Sewage Disposal Plant Off-Street Parking Lot	Pumper Truck Sanitation Truck Bulldozer Snow Plow Fire Engine
"Type"	Land Buildings Building Alterations	Snow Removal Equipment Street Cleaning Equipment Highway Equipment Fire Apparatus

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<i>Referendum Requirements on Issuance of Indebtedness:</i>	Counties -	with certain exceptions, generally not required (LFL, §33.10).
	Cities -	with certain exceptions, if required by local law (LFL, §34.00).
	Villages -	with certain exceptions, generally a permissive referendum is required on bond resolution unless proposed maturity of bonds is five years or less (LFL, §36.00).
	Towns -	with certain exceptions, generally same as villages (LFL, §35.00).
	Fire Districts -	referendum with certain exceptions, required (LFL, §38.00).

As is the case with most reserve funds, a capital reserve fund should be accounted for in the fund financing it. If reserve moneys are appropriated for a specific capital project, such moneys should then be transferred to the capital projects fund.

<i>Source of Funds:</i>	Annual budget; transfers from unexpended balances of existing appropriation; surplus moneys. Highway fund moneys (in towns) may be used for the establishment of a capital reserve fund so long as the moneys are expended for the purpose for which they were levied or received and provided the town highway superintendent and town board consent to, and the county highway superintendent approves. Such moneys may be expended from the fund only on order of the town superintendent, upon audit and with the consent of the town board.
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<i>Special Provisions:</i>	When state lands subject to taxation in a town in the Adirondack Park are assessed at more than 30 percent of total town taxable assessed valuation, the State Comptroller must consent to the establishment of, and expenditures or transfers from a capital reserve fund in the town or in a fire district in whole, or in part, within the town (General Municipal Law §§6-c [13], 6-g [13]).
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Towns Located Wholly or Partially in Adirondack Park Which Have State Lands:

Clinton County:	<i>Altona, Ausable, Black Brook, Dannemora, Ellenburg, Peru, Plattsburgh and Saranac</i>
Essex County:	<i>All but Willsboro and Essex</i>
Franklin County:	<i>Altamont, Bellmont, Duane, Brighton, Franklin, Harriestown, Santa Clara and Waverly</i>
Fulton County:	<i>All but Perth and Johnstown</i>
Hamilton County:	<i>All</i>
Herkimer County:	<i>Ohio, Russia, Salisbury and Webb</i>
Lewis County:	<i>Croghan, Lyonsdale, Diana, Greig and Watson</i>
Oneida County:	<i>Forestport and Remson</i>
St. Lawrence County:	<i>Clare, Clifton, Hopkinton, Parishville, Colton, Fine, Piercefield and Pitcairn</i>
Saratoga County:	<i>Corinth, Edinburg, Hadley, Greenfield, Providence and Day</i>
Warren County:	<i>All</i>
Washington:	<i>Dresden and Fort Ann</i>

*Use of
Unexpended
Balances:*

Unexpended balances in a capital reserve fund may be transferred to another capital reserve fund having the same tax base. Where a "specific" capital reserve fund has been established, subject to permissive referendum and the improvement or item of equipment has not been acquired or completed, any transfer therefrom also is subject to permissive referendum ((§§6-c[9], 6-g[8])).

If there is an unexpended balance remaining in a fund established for a type of improvement or item of equipment, or for a specific capital improvement which has been completed or for a specific item of equipment that has been acquired, the governing board may appropriate all or any part of such fund (less amounts required to satisfy all outstanding claims arising from construction, reconstruction or acquisition of the improvement or acquisition of the equipment) to another capital reserve fund without referendum (§§6-c[9], 6-g[8]). In a municipality, the unexpended balance of a capital reserve fund established for a specific improvement that has been

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completed or specific item(s) of equipment acquired (less amounts required to satisfy all outstanding claims arising from construction of the improvement, or reconstruction or acquisition of the equipment) may be appropriated for:

- an object or purpose for which bonds may be issued, or
- the payment of interest on and principal of indebtedness (except indebtedness for assessable improvements and certain indebtedness excludable from debt limits) (§6-c[9-a]).

NOTE: See sample resolutions and summary of referendum requirements on the following pages.

Resolution Establishing a Capital Reserve Fund to Finance a “Specific” Capital Improvement or Item(s) of Equipment

RESOLVED, that pursuant to section 6-c [6-g] of the General Municipal Law, as amended, there is hereby established a capital reserve fund to be known as the “_____ Reserve Fund” (hereinafter “Reserve Fund”). The purpose of this Reserve Fund is to accumulate moneys to finance the cost of a specific (capital improvement) (item[s] of equipment). The specific (capital improvement) (item[s] of equipment) to be financed from the Reserve Fund (is) (are) the (construction) (reconstruction) (acquisition) of _____. The estimated maximum cost of such (capital improvement) (item[s] of equipment) is _____.

The chief fiscal officer is hereby directed to deposit and secure the moneys of this Reserve Fund in the manner provided by section 10 of the General Municipal Law. (This governing board) (The chief fiscal officer) may invest the moneys in the Reserve Fund in the manner provided by section 11 of the General Municipal Law, and consistent with the investment policy of the [local government]. Any interest earned or capital gains realized on the moneys so deposited or invested shall accrue to and become part of the Reserve Fund. The chief fiscal officer shall account for the Reserve Fund in a manner, which maintains the separate identity of the cash and investments of the Reserve Fund.

Except as otherwise provided by section 6-c [6-g] of the General Municipal Law, expenditures from this Reserve Fund shall be made only for the purpose for which the Reserve Fund is established. No expenditure shall be made from this Reserve Fund without the approval of this governing board and without such additional actions or proceedings as may be required by section 6-c [6-g] of the General Municipal Law.

This resolution is subject to permissive referendum pursuant to subdivision 4 of section 6-c [6-g] of the General Municipal Law.

NOTE: If the moneys in the reserve fund will consist of town highway moneys, the establishment of the reserve fund is also subject to the consent of the town superintendent of highways and the approval of the county superintendent of highways.

Resolution Establishing a Capital Reserve Fund to Finance a “Type” of Capital Improvement or Equipment

RESOLVED, that pursuant to section 6-c [6-g] of the General Municipal Law, as amended, there is hereby established a capital reserve fund to be known as the “_____ Reserve Fund” (hereinafter “Reserve Fund). The purpose of this Reserve Fund is to accumulate moneys to finance the cost of a type of (capital improvement) (equipment). The type of (capital improvement) (equipment) to be financed from the Reserve Fund is the (construction) (reconstruction) (acquisition) of _____.

The chief fiscal officer is hereby directed to deposit and secure the moneys of this Reserve Fund in the manner provided by section 10 of the General Municipal Law. (This governing board) (the chief fiscal officer) may invest the moneys in the Reserve Fund in the manner provided by section 11 of the General Municipal Law, and consistent with the investment policy of [local government]. Any interest earned or capital gains realized on the moneys so deposited or invested shall accrue to and become part of the Reserve Fund. The chief fiscal officer shall account for the Reserve Fund in a manner, which maintains the separate identity of the cash and investments of the Reserve Fund.

Except as otherwise provided by section 6-c [6-g] of the General Municipal Law, expenditures from this Reserve Fund shall be made only for the purpose for which the Reserve Fund is established. No expenditure shall be made from this Reserve Fund without the approval of this governing board and without such additional actions or proceedings as may be required by section 6-c [6-g] of the General Municipal Law, including a permissive referendum if required by subdivision 4 of section 6-c [6-g].

NOTE: If the moneys in the reserve fund will consist of town highway moneys, the establishment of the Reserve Fund is also subject to the consent of the town superintendent of highways and the approval of the county superintendent of highways.

Summary of Referendum Requirements

To Establish:

- | | |
|---------------------|---|
| Specific Reserves - | Subject to a permissive referendum if the authorization to issue obligations for the same purpose would be subject to a permissive or mandatory referendum (§6-c [4]). If the authorization to issue obligations would be only subject to referendum if the proposed maturity of the obligations is more than five years (or not less than some other minimum period), then a permissive referendum is only required if the period of probable usefulness is equal to or more than such minimum period of maturity. |
| Type Reserves - | Referendum not required. |

To Expend:

- | | |
|---------------------|---|
| Specific Reserves - | Referendum not required. |
| Type Reserves - | Subject to a permissive referendum if the authorization to issue obligations for the same purpose would be subject to a permissive or mandatory referendum (§§6-c [8], 6-g [7]). If the authorization to issue obligations would be only subject to referendum if the proposed maturity of the obligations is more than five years (or not less than some other minimum period), then a permissive referendum is only required if the period of probable usefulness is equal to or more than such minimum period of maturity. |

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To Transfer:

- Specific Reserves - If the equipment or improvement has been completed or acquired, unexpended balance may be transferred by the governing board to another capital reserve fund without referendum (§§6-c [9], 6-g [8]).
- In a Municipality, if equipment or improvement has been acquired or completed, unexpended balance may also be used, without referendum (§6-c [9-a]), for:
- any object or purpose for which bonds may be issued, or
 - certain debt service payments
- If the equipment or improvement has not been acquired or completed, unexpended balance may be transferred to another capital reserve fund, subject to a permissive referendum, if authorization to create the originating fund was subject to permissive referendum (§§6-c[9], 6-g[8]).
- Type Reserves - Referendum not required. However, if transferred into a newly established “specific” fund, the establishment of the new fund would be subject to the requirements discussed above.

Repair Reserve Fund (GML §6-d)

<i>Purpose:</i>	To pay the cost of certain repairs of capital improvements or equipment. The repairs must be of a type not recurring annually or at shorter intervals (§6-d [3]).
<i>Who May Create:</i>	Municipal corporations; district corporations; school districts; fire districts and town or county improvement districts (§6-d [1]).
<i>How To Create And Use:</i>	Referendum not required to establish. A resolution appropriating moneys from a repair reserve fund is subject to a public hearing (except in the event of an emergency as indicated hereafter) and at least five days notice must be given (§6-d [2]). In an emergency, moneys in a repair reserve fund may be expended without giving notice and holding a public hearing. To make such expenditure the governing board must pass a resolution approved by at least a two-thirds vote. At least one-half of the expenditure must be repaid in the succeeding fiscal year and the balance repaid by the end of the second succeeding fiscal year (§6-d [2]).
<i>Source of Funds:</i>	Annual budget; surplus moneys (§6-d [1]).
<i>Special Provisions:</i>	When state lands in a town in the Adirondack Park are assessed at more than 30 percent of the total taxable assessed valuation in a town, the State Comptroller must consent to the establishment of, and appropriations from a repair reserve fund for the town or any district corporation or improvement district situated wholly or partially in such a town (§6-d [7]). (See page 9 for a list of towns that may be affected by this provision.)
<i>Use of Unneeded Balances:</i>	In general, all or any part of a repair reserve fund may be transferred to a capital reserve fund or, in school districts, to a reserve fund established pursuant to Section 3651 of the Education Law, or to a contingency and tax stabilization reserve fund.

Contingency and Tax Stabilization Reserve Fund (GML §6-e) (Post-July 31,1992)

Purpose: May be used to finance certain unanticipated revenue losses or unanticipated expenditures chargeable to the “eligible portion” of the annual budget; and may be used to lessen or prevent projected increases in excess of 2½ % of the amount of the real property tax levy needed to finance the “eligible portion” of the annual budget (§6-e [4]).

The law defines “unanticipated expenditure” as “an expenditure for a specific purpose for which there is no or insufficient appropriation or which will cause an appropriation to be insufficient that is necessitated by a change in federal or state laws, rules, or regulations, a court order, judgment or decree, a public emergency, or an industry-wide price, rate or premium increase, which takes effect or occurs after final adoption of the annual budget and which could not have been reasonably anticipated prior to final adoption of the annual budget” (§6-e[1], [k]).

An “unanticipated revenue loss” is “estimated revenue which is rendered unreceivable because of a change in federal or state laws, rules or regulations, a court order, judgment or decree, or other circumstance, which takes effect or occurs after final adoption of the annual budget and which could not have been reasonably anticipated prior to final adoption of the annual budget” (§6-e [1], [l]).

The “eligible portion of the annual budget” means, in the case of a contingency and tax stabilization reserve fund: (1) the general fund portion of the annual budget for a county, city, village or fire district; (2) for a town, the town-wide general fund and highway fund portions of the annual budget and (3) in the case of a reserve fund established for the part of a town outside any villages, the general and highway fund portions of the annual budget for such part of the town (§6-e [1], [e]).

Who May Create: Counties, cities, villages, and fire districts (in general fund only). Towns (in town-wide and part-town general funds and highway funds) (§6-e [1]).

How To Create And Use: Created by resolution of the governing board subject to permissive referendum (§6-e [2]). Generally, may be used only upon recommendation of the chief executive officer and resolution adopted by at least two-thirds of voting strength of the governing board (§6-e [4], [a]).

Source of Funds: Budgetary appropriations, unappropriated unreserved fund balance, and such revenues as are not required by law to be paid into any other fund or
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Contingency and Tax Stabilization Reserve Fund (continued)

account (§6-e [3]). No amount may be appropriated for payment into a contingency and tax stabilization reserve fund that would cause the balance of the fund to exceed ten percent of the eligible portion of the annual budget for the fiscal year for which the appropriation would be made (General Municipal Law §6-e [3]).

Special Limitations Provisions:

When preparing a tentative budget, if the current balance of the contingency and tax stabilization fund exceeds ten percent of eligible portion of the annual budget for the current fiscal year, any excess must be used to reduce the amount of real property taxes needed to finance the eligible portion of the annual budget for the next succeeding fiscal year (§6-e [4], [e]).

There are three additional limitations:

- The maximum that may be used to finance an unanticipated revenue loss shall equal either the amount of revenue actually received for the “base year”^{*} or the amount of the estimated revenue for the current fiscal year, whichever is less, minus the amount of the revenue actually received for the current year. In addition, moneys in the fund may be used only to finance that portion of an unanticipated revenue loss which, as a matter of law, cannot be financed from moneys available in any other account or fund (§6-e [4], [b]).
- The maximum that may be used to finance an unanticipated expenditure shall equal the sum of the amount of the unanticipated expenditure and the amount appropriated for that purpose for the current fiscal year minus either the amount appropriated for that purpose for the current fiscal year or the actual expenditure for the same purpose in the “base year”^{*}, whichever is greater. In addition, moneys in the fund may be used only to finance that portion of an unanticipated expenditure which, as a matter of law, cannot be financed from moneys available in any other account or fund (§6-e [4], [c]).

^{*} “Base year” means the most recent fiscal year for which an annual report has been filed with the State Comptroller pursuant to General Municipal Law §30 (General Municipal Law §6-e [1], [b]).

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Contingency and Tax Stabilization Reserve Fund (continued)

- The maximum that may be used to lessen or prevent a projected increase in excess of 2½% of real property tax levy needed to finance the eligible portion of the annual budget shall equal the difference between the projected amount of the real property tax levy and 102½% of the amount of the real property tax levy needed to finance the eligible portion of the annual budget for the current fiscal year (§6-e [4], [d]).

*Use of
Unneeded
Balances:*

Moneys may be used only for the purposes noted above.

Note that prior to July 31, 1992, a former version of the General Municipal Law §6-e (now repealed) authorized the establishment of a “tax stabilization reserve fund.” Any moneys remaining in such a fund as of July 31, 1992, were required to be used either for any of the purposes authorized by former section 6-e or transferred to any other duly authorized and established reserve fund, subject to permissive referendum and, in the case of certain towns within the Adirondack Park (see [page 9](#)), subject to consent of the State Comptroller. After July 31, 1992, no moneys could be appropriated in such a “tax stabilization reserve fund” (See Laws of 1992, chapter 655, §3).

Reserve for Snow and Ice Removal and Road Repair (GML §6-f)

<i>Purpose:</i>	To pay for the cost of removal of snow and ice from public thoroughfares and public places of a municipal corporation, and the cost of repairing and maintaining roadways to the extent that such damage was caused by the removal of snow and ice, provided that such snow and ice removal or repairs and maintenance are of a type not likely to recur annually, or at shorter intervals (§6-f [3]).
<i>Who May Create:</i>	Municipal corporations (county, town, village, city) (§§2, 6-f [1]).
<i>How To Create And Use:</i>	<p>A referendum is not required to establish this reserve. However, except with respect to emergencies as indicated hereafter, a resolution appropriating moneys from this reserve fund is subject to a public hearing after prior public notice has been given (§6-f [2]).</p> <p>In an emergency, moneys in this reserve may be expended without a public hearing, by resolution approved by at least a two-thirds vote of the governing board. At least one half of the moneys expended must be repaid in the next succeeding fiscal year and the balance by the end of the second succeeding fiscal year (§6-d [2]).</p>
<i>Source of Funds:</i>	Annual budget appropriation; surplus moneys (§6-f [1]).
<i>Special Provisions:</i>	<p>Towns located in the Adirondack Park: When state lands subject to taxation in a town wholly or partially in the Adirondack Park are assessed at a value of more than 30 percent of the total taxable assessed valuation of the town, the establishment of and appropriations from the snow and ice removal and road repair reserve fund in the town is subject to the consent of the State Comptroller (§6-f [7]). (See page 9 for list of towns that may be affected by this provision.)</p> <p>The moneys deposited in this reserve fund shall be kept in a separate bank account (6-f [4]).</p>
<i>Use of Unneeded Balances:</i>	In general, all or any part of a reserve fund for snow and ice removal and road repair may be transferred to a capital reserve fund, a repair reserve fund, or a “tax stabilization reserve fund” (§6-f [3]).

Reserve Fund for Payment of Bonded Indebtedness (GML §6-h)

Purpose: For payment or purchase of one or more issues of bonds of a town, village, city, county or fire district; however, such a bonded indebtedness reserve fund may not be established for or used to pay obligations payable in the first instance from assessments or from taxes levied on other than a municipal or fire district-wide basis (§§6-h [2], [3]).

Expenditures may be made only for the payment of the principal of and interest on bonds issued by such municipality or fire district and forming a part of an issue having a maximum maturity of not less than five years, or for the purchase of bonds issued by such municipality or fire district and forming a part of an issue having a maximum with similar maturities subject to certain additional purchase restrictions (§6-h [5]). If the current budget provides for payment of principal and interest on bonds or the purchase thereof from sources other than the bonded indebtedness reserve fund, moneys of the bonded indebtedness reserve fund may not be used to pay or purchase the indebtedness during the current fiscal year (§6-h [5]).

Who May Create: Municipal corporations (county, town, city, village) and fire districts (§§2, 6-h [2]).

How To Create And Use: Resolution to create. Appropriation pursuant to resolution to expend money on permitted uses. No referendum is required to establish or expend moneys from the bonded indebtedness reserve fund (§§6-h [2], [5]).

Source of Funds: Budgetary appropriations; revenues not otherwise appropriated or required by law to be paid into any other fund or account (§6-h [4]).

Special Provisions: Towns located in the Adirondack Park: When state lands subject to taxation in towns in the Adirondack Park are assessed at more than 30 percent of the total taxable assessed valuation of the town, the establishment of, and any expenditure from, a bonded indebtedness reserve fund is subject to the consent of the State Comptroller (§6-h [11]). (See [page 9](#) for list of towns that may be affected by this provision.)

Use of Unneeded Balances: The governing board of a municipal corporation may, subject to a permissive referendum, authorize the transfer of all or a portion of a bonded indebtedness reserve fund to a capital reserve fund (in a fire district, voter approval at a regular or special election of such contemplated transfer to a capital reserve fund is required) (§6-h [6]).

Airport Amortization Fund (GML §6-i)

<i>Purpose:</i>	To pay the cost of interest on and retirement of any outstanding indebtedness, incurred for the acquisition and construction of an airport by a municipal corporation.
<i>Who May Create:</i>	Municipal corporations which acquire or construct an airport after April 5, 1944 are required to establish such a reserve fund.
<i>Source of Funds:</i>	All revenues derived from the operation of such airport except parking fees, sight-seeing fees and rentals derived from leases of real property at such airport not used exclusively for air transportation operations must be paid into the fund.
<i>Use of Unneeded Balances:</i>	Any balance remaining beyond the amount required for the above purpose shall be paid into the general fund to be used for general municipal purposes.

Airport Development Fund (GML §6-i)

<i>Purpose:</i>	To pay the cost of acquisition, construction or physical development of an airport acquired, constructed, or maintained by a municipal corporation.
<i>Who May Create:</i>	Municipal corporations which acquire, construct or maintain an airport and receive certain payments prior to construction or commencement of operation; establishment is mandatory.
<i>Source of Funds:</i>	All payments for leases, permits or other privileges at such airport received prior to its construction or to the commencement of its operation must be paid into the fund.
<i>Use of Unneeded Balances:</i>	Must be used solely for the above-mentioned purposes.

Workers' Compensation Reserve Fund (GML §6-j)

<i>Purpose:</i>	For payment of compensation benefits, medical, hospital or other expenses authorized by Article 2 of the Workers' Compensation Law and the Volunteer Firefighters' Benefit Law, and for payment of expenses of administering a self-insurance program (§6-j [4]).
<i>Who May Create:</i>	Municipal corporations, school districts or fire districts which are self-insurers under Section 50[4] of the Workers' Compensation Law, or Section 30 of the Volunteer Firefighters' Benefit Law (§6-j [1]).
<i>How To Create And Use:</i>	Created by resolution of governing board. A referendum is not required to either create or expend moneys from the reserve (§6-j [1]).
<i>Source of Funds:</i>	Budgetary appropriations and other sums as may be legally appropriated (e.g., surplus moneys) (§6-j [2]).
<i>Use of Unneeded Balances:</i>	If at the end of any fiscal year moneys in the fund exceed the amounts required to be paid for compensation benefits, and expenses under Section 6-j [4], plus any additional amount required to pay all pending claims, the governing board, within 60 days of the close of such fiscal year may elect to transfer the "excess" amounts required or part thereof to certain other reserve funds or apply it to the budget appropriation of the next succeeding fiscal year (§6-j [5]). If the local government ceases to be a self-insurer, moneys remaining in the fund may be transferred to certain other reserve funds, but only to the extent moneys in the fund exceed an amount sufficient to pay all expenditures, both accrued and contingent, authorized in Section 6-j [4] (§6-j [6]).

Electric Utility Depreciation Reserve Fund (GML §6-k)

<i>Purpose:</i>	To be used for the improvement, extension, or replacement of an electric public utility service, or the payment of indebtedness incurred in relation to the construction, improvement, extension, or replacement of such service.
<i>Who may create:</i>	Municipal corporations operating an electric public utility service. Creation is mandatory.
<i>How to create and use:</i>	Create by resolution of the governing board and use for no other purpose than that stated above.
<i>Source of Funds:</i>	Solely by appropriations from revenues of such utility service.
<i>Special Provisions:</i>	Governing board generally must require that out of service revenues, there will be deposited in the reserve fund, annually, quarterly, or monthly in its discretion, the amounts entered in the depreciation reserve account of such service as the depreciation accruals for such period. A depreciation reserve account is an account in which the original cost of the service is being distributed to expenses in substantially equal annual, quarterly or monthly amounts during the expected service life of the component parts of the service, by direction of the Public Service Commission.
<i>Use of Unneeded Balances:</i>	Must be used solely for the established purpose.

Mandatory Reserve Fund (GML §6-I)

Purpose: To generally restrict the use of:

- (1) the proceeds of the cash sale of a capital improvement, and
- (2) state and federal aid received on account of a capital improvement

to the retirement of outstanding obligations issued to finance such improvement (§6-I [2]).

Who May Create: Municipal corporations, town and county improvement districts, fire districts and school districts upon cash sale of, or receipt of state and federal aid on account of, a capital improvement, financed by obligations which remain outstanding (no application where any other law requires the proceeds of the sale to be deposited in a reserve fund established for the purpose of retiring outstanding obligations) (§6-I [2], [2-a]).

How to Create And Use: Must be created upon the cash sale of a capital improvement financed by obligations which remain outstanding. Also must be created when state or federal aid is received on account of a capital improvement financed by obligations, which remain outstanding, and such aid is not applied directly to the cost of the improvement or to retiring obligations issued in anticipation of such aid. The fund must be used only to retire such obligations. A referendum is not required to either authorize or expend moneys from the fund (§6-I [2], [3]).

Source of Funds: Proceeds from the cash sale of a capital improvement or state and federal aid received on account of a capital improvement (§6-I [2]). If the aggregate amount exceeds the principal of the outstanding indebtedness due, or to become due, the excess may be used for any lawful municipal or district purpose, as the case may be (General Municipal Law §6-I [2]).

Use of Unneeded Balances: Upon payment of all outstanding indebtedness, balance may be expended for any lawful municipal or district purpose, as the case may be (§6-1[3]). For specific reserve fund provisions relating to certain sales of a water system, see County Law, §275, General City Law, §20[7-a], and Village Law, §11-1128; see also Town Law §198[12].

Unemployment Insurance Payment Reserve Fund (GML §6-m)

Purpose: To reimburse the State Unemployment Insurance Fund for payments made to claimants where the municipality has elected to use the benefit reimbursement method (§6-m [1]).

Who May Create: Municipal corporations, school and fire districts; and boards of cooperative educational services which have elected to become liable for payments in lieu of contributions under article 18 of the Labor Law (§6-m [1]).

How to Create And Use: Created by resolution of governing board. A referendum is not required to either create or expend the reserve (§6-m [1], [4]).

Source of Funds: Budgetary appropriations, amounts from certain other reserve funds subject to permissive referendum (§6-m [2]); other funds which may be legally appropriated.

Use of Unneeded Balances: If at the end of any fiscal year the moneys in the fund exceed amounts required to be paid into the Unemployment Insurance Fund pursuant to Section 6-m [4], plus any additional amounts required to pay all pending claims, the governing board, within 60 days of the close of the fiscal year, may elect to transfer “excess” amounts to certain other reserve funds or apply the excess to the budget appropriation of the next succeeding fiscal year (§6-m [5]). If the local government terminates its election to become liable for payments in lieu of contributions (i.e., elects to convert to tax [contribution] basis), moneys remaining in the fund may be transferred to certain other reserve funds to the extent moneys in the fund exceed amounts sufficient to pay all pending claims (§6-m [6]).

Insurance Reserve Fund (GML §6-n)

Purpose: To fund certain uninsured losses, claims, actions or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions (§6-n [2], [a]). May also be used to pay for expert or professional services in connection with the investigation, adjustment or settlement of claims, actions or judgments (§6-n [9], [e]).

An insurance reserve may not be used to pay for uninsured losses for which the following types of insurance may be purchased: workers' compensation and employers' liability insurance, (which includes volunteer firefighters' benefit insurance and volunteer ambulance workers' benefit insurance), unemployment insurance, life insurance, annuities, accident and health insurance, fidelity and surety insurance, credit insurance, title insurance, residual value insurance and mortgage guarantee insurance. Normally an insurance reserve would be used to make payments in lieu of unemployment insurance contributions (§6-n[2], [a], Insurance Law, §III3[a]).

Also, a municipality may not pay from an insurance reserve for any loss, claim, action or judgment for which it has established a reserve fund under any other provision of law. However, if a municipality has previously established a reserve fund under another provision of law for a type of risk for which expenditures may be made under section 6-n, the municipality may discontinue the other reserve and transfer any unexpended balance, to the extent not subject to incurred or accrued liabilities, to a section 6-n reserve. (§6-n [2], [b]).

Who may create: Municipal corporations; district corporations; fire districts; improvement districts governed by a separate board; boards of cooperative educational services; school districts (except in city of 125,000 or more) (§6-n [1], [a]).

How to Create and Use: Created by resolution of governing board. A referendum is not required either to create or expend moneys from the reserve (§6-n [2]).

Source of Funds: Budgetary appropriations; amounts from any other fund authorized by General Municipal Law subject to permissive referendum; such other funds as may be legally appropriated.

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Insurance Reserve Fund (GML §6-n) (continued)

Special Provisions:

The amount paid into this reserve during any fiscal year may not exceed the greater of \$33,000 or 5% of the total budget of the fiscal year. No limit on the cash balance (§6-n [3], [4]).

Moneys in the fund may be used to fund the payment of actions or claims that have been compromised or settled with judicial approval, except where the amount of the settlement or compromise does not exceed \$25,000 (§6-n [9] [b] [c], [11]).

Use of Unneeded Balances:

If it is determined that the fund is no longer needed, the moneys remaining in the fund may be transferred to another reserve fund authorized by General Municipal Law (supported by the same tax base) or Education Law §3651, but only to the extent that the moneys in the fund exceed a sum sufficient to pay all liabilities incurred or accrued against the funds as certified by the fiscal and legal officers of the local government (§6-n [13]).

Solid Waste Management Facility Reserve (GML §6-o)

Purpose: For the payment of amounts due for the design, construction and operation of solid waste management facilities owned or operated by a municipality, and for closure, or post-closure care, including operation and maintenance expenses of solid waste management facilities owned or operated by or on behalf of such municipality.

Who May Create: A municipality, which includes a municipal corporation (county, town, village, city) or any designated agency thereof, a solid waste management district, public authority or public benefit corporation having power to construct, operate and maintain a solid waste management facility.

How To Create And Use: Created by resolution of governing board. A referendum is not required either to create or expend moneys from the reserve.

Source of Funds: Amounts as the governing board may, from time to time, deem appropriate, including but not limited to a percentage of fees received by the municipality from operation of the solid waste management facilities.

Use of Unneeded Balances: The governing board may authorize the transfer of any unexpended balance from the solid waste management facility reserve fund to the credit of a capital reserve fund, if the unexpended balance remaining in “the fund established for a specific capital improvement” has been completed, after deducting from such unexpended balance a sum sufficient to satisfy all outstanding claims arising from the construction, reconstruction or acquisition of such capital improvement.

Employee Benefit Accrued Liability Reserve Fund (GML §6-p)

Purpose: To pay for any accrued “employee benefit” due an employee on termination of the employee’s service (§6-p [2]).

Expenditures may be made from an employee benefit accrued liability reserve fund for the payment of all or part of the cost, including interest, of:

- (a) the cash payment of the monetary value of accumulated or accrued and unused sick leave, holiday leave, vacation leave, time allowance granted in lieu of overtime compensation and other forms of payment for accrued leave time and benefits due to a municipal employee upon termination of municipal employment and separation from service as required by ordinance, local law, collective bargaining agreement or “section six of the civil service law,”
- (b) the reasonable costs of the administration of the reserve fund, and
- (c) expert or professional services rendered in connection with the investigation, adjustment or settlement of claims, actions or judgments relating to claims for accrued employee benefits (§6-p[7]).

Who May Create: Municipal corporations (town, village, county, city), fire districts, school districts (except a district in a city with a population of 125,000 or more), boards of cooperative educational services, district corporations and special improvement districts governed by a separate board of commissioners (§6-p [1]).

How To Create And Use: Created by resolution of governing board. A referendum is not required either to create or expend moneys from the reserve (§6-p [2]).

Source of Funds: Budgetary appropriations; amounts from certain other reserve funds subject to permissive referendum; other funds which may be legally appropriated (§6-p [3]).

Special Provisions: No expenditure shall be made from an employee benefit accrued liability reserve fund for any employee benefit for which a reserve fund has already been established under any other provision of law (§6-p [2][a]). However, if a municipal corporation (or other authorized entity) has previously established a reserve fund for a type of accrued employee benefits for which expenditures may be made, the municipal corporation (or other authorized entity) may, by resolution, discontinue such other reserve fund

(continued on following page)

Employee Benefit Accrued Liability Reserve Fund (GML §6-p) (continued)

and transfer any unexpended balance to the reserve fund established under section 6-p, subject to certain limitations (§6-p [2][b]).

*Use of
Unneeded
Balances:*

If the governing body determines that such fund is no longer needed, the moneys remaining in such fund may be transferred to any other reserve fund authorized by General Municipal Law (supported by the same tax base) or Section 3651 of the Education Law but only to the extent that the moneys in the fund exceed a sum sufficient to pay all liabilities incurred or accrued against the fund, as certified by the fiscal and legal officers of the local government (§6-p [9]).

III. Reserves Authorized by Other Statutes

Education Law – School Districts

- [Property Loss and Liability Claims §§1709 \[8-c\], 1950\[4\]\[cc\]](#) (BOCES also)
- [Reserve \(Capital Purposes/Tax Certiorari\) §3651](#)
- [Tax Reduction \(sale of real property\) §§1604\[36\], 1709\[37\]](#)
- [Career Education Instructional Equipment §1950 \[4\] \[ee\]](#) (BOCES only)

Town Law – Suburban Towns Only

- [General Reserve - For Capital Purposes §55](#)
- [Improvement Districts - For Capital Purposes §55-a](#)
- [Judgments and Claims §55-b](#)

County Law – Counties Only

- [Tax and Revenue Anticipation §372](#)

Property Loss Reserve and Liability Reserve Fund (Education Law, §§1709[8-c], 1950[4][cc])

Purpose: To establish and maintain a program of reserves to cover property loss and liability claims.

Who May Create: School districts generally; BOCES.

How To Create And Use: Created by resolution of the governing board and used to pay for property loss and liability claims.

Source of Funds: Budgetary appropriations.

Special Provisions: For school districts, the total amount of reserve cannot exceed 3% of the annual budget (exclusive of any planned balance presently authorized) or \$15,000, whichever is larger. For BOCES, the total amount of reserve cannot exceed 3% of the annual budget. Both school districts and BOCES must establish separate funds for property losses and for liability claims. For BOCES only, the money in such funds must be held in separate bank accounts. Neither a school district nor a BOCES reserve shall be reduced below total amounts estimated to be necessary to cover incurred but unsettled claims or suits, including expenses in connection therewith other than by payment of losses for which such amounts were established.

Use of Unneeded Balances: Payments shall not be made by a school district for purposes other than those for which the fund was established unless authorized by vote of electors of the district, except that the school board (as well as a BOCES board) may authorize use of funds (other than amounts allocated for unsettled claims or suits including expenses in connection therewith) to pay insurance premiums for policies to insure subsequent losses in areas previously self-insured, in the event of dissolution of the self-insurance plan.

School District Capital and Tax Certiorari Reserve Funds (Education Law, §3651)

Purpose: **Education Law §3651[1] reserves:**

To pay the cost of any object or purpose for which bonds may be issued by, or for the objects or purposes of, a school district.

Education Law §3651[1-a] reserves:

To pay judgments and claims in tax certiorari proceedings in accordance with article seven of the Real Property Tax Law.

Who May Create: School districts only (Education Law §3651[1], [1-a]).

How To Create and Use: Establishment of a §3651[1] reserve requires approval by majority of qualified voters (exception: city school districts in a city having a population of 125,000 or more. Note, however, when school taxes are included in the computation of a city tax limit, the establishment of a reserve fund by the school authorities of such city is subject to the consent of the city legislative body, Education Law, §3651[8][a], [9]). An expenditure from the reserve fund (except for school districts in a city having a population of 125,000 or more) must be authorized by voters of the district and for the specific purpose specified in the proposition (Education Law, §3651[3], [9]).

Establishment of a §3651[1-a] reserve to pay judgments and claims in tax certiorari proceedings does not require voter approval (Education Law §3651[3-a]).

Source of Funds: Generally, annual budget; also moneys from any other source may be directed by voters to be paid into a §3651[1] reserve. (No voter approval required in school district in city with population of 125,000 or more §3651[a].)

Special Provisions: When state lands subject to taxation in school districts in the Adirondack Park are assessed at more than 30% of aggregate taxable assessed valuation in the district, the establishment of a §3651[1] reserve fund is subject to consent of the State Comptroller, on recommendation of the Commissioner of Education (Education Law, §3651[8][b]).

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School District Capital and Tax Certiorari Reserve Funds (Education Law, §3651) (Continued)

The total amount in a §3651[1-a] reserve fund may not exceed the amount reasonably necessary to meet anticipated tax certiorari judgments and claims.

The notice of the proposition and the proposition to establish a §3651[1] reserve must specify the purpose for which the fund is established, ultimate amount, probable term and source of funds (Education Law, §3651[1]).

Use of Unneeded Balances:

Education Law §3651[1] Reserve

All or any part of the reserve established pursuant to Education Law §3651[1] may be transferred to another reserve fund established pursuant to that section with voter approval (Education Law, §3651[4]). Also, when voters determine that the original purpose of the reserve fund is no longer desirable, the reserve fund may be liquidated by applying the balance first to outstanding bonded indebtedness and then, subject to certain limitations, to the annual tax levy (Education Law, §3651[5]).

Voter approval is not required in a school district in a city having a population of 125,000 or more on transfers from or liquidation of reserve funds (see Education Law §3651[9]).

Education Law §3651[1-a] Reserve

Funds reserved for tax certiorari judgments and claims pursuant to Education Law, §3651[1-a] and not expended or reasonably required to pay any such judgment or claims for the tax roll in the year such moneys are deposited to the fund must be returned to the general fund on or before the first day of the fourth fiscal year following the deposit of such moneys to the reserve fund.

Tax Reduction Reserve Funds for School Districts (Education Law, §§1604[36], 1709[37])

Purpose: To establish a reserve for reducing taxes.

Who May Create: School districts only.

How To Create And Use: Created by resolution of the board of education and used to reduce school district real property taxes for a period not to exceed ten years.

Source of Funds: Proceeds from the sale or appropriation of real property not required to be used for any other legally required purpose (see, e.g., General Municipal Law §6-l, discussed above).

Career Education Instructional Equipment Reserve Fund – BOCES (Education Law §1950[4][ee])

<i>Purpose:</i>	To finance all or part of the cost of the replacement and purchase of advanced technology equipment used in instructional programs conducted by BOCES.
<i>Who May Create:</i>	Boards of Cooperative Educational Services (BOCES).
<i>How to Create And Use:</i>	Created by resolution of the governing board and approval of the boards of education of a majority of the school districts participating in the instructional program of the BOCES. Used to purchase or replace advanced technology equipment for instructional programs conducted by the BOCES.
<i>Source of Funds:</i>	Proceeds from the sale of career education instructional equipment used in the instructional programs of the board and by including depreciation expenses for the career education instructional equipment used in providing instructional services on a cooperative basis in computation of the cost of such services pursuant to Section 1950[4][d].
<i>Special Provisions:</i>	<p>The Commissioner of Education has promulgated regulations pertaining to this reserve (Regulations of the Commissioner of Education, Section 170.3[k]).</p> <p>The moneys in such funds must be held in separate bank accounts and may be invested by BOCES in the manner prescribed for school district moneys pursuant to section 1723 (a) of the Education Law. <i>(NOTE: Other investment provisions were set forth earlier.)</i></p>
<i>Use of Unneeded Balances:</i>	In the event this reserve is liquidated, the moneys must be allocated to the school districts participating in the instructional programs of the BOCES in proportion to the value of the contributions to the fund made by the participating districts.

General Reserve Fund - Suburban Towns (Town Law, §55)

<i>Purpose:</i>	To finance all, or part of, the cost of a town object or purpose which has a period of probable usefulness of at least five years (other than objects or purposes for which reserve funds may be established under Town Law, §§55-a and 55-b, see above). (See LFL §§ 2.00, 11.00).
<i>Who May Create:</i>	Suburban towns only.
<i>How to Create and Use:</i>	Created by resolution of the town board. Expenditures may only be made for a specific object or purpose and are subject to permissive referendum.
<i>Source of Funds:</i>	Budgetary appropriations; amounts raised by tax; revenues not required by law to be paid into any other fund or account (§55[2]).
<i>Special Provisions:</i>	<p>Expenditures from this fund may not be made for any part of the cost of an object or purpose which is to be borne by</p> <ol style="list-style-type: none">(1) assessments for benefit or,(2) ad valorem taxes levied upon real property within an area of benefit within the town, or(3) by ad valorem taxes levied upon real property within less than the entire area of the town.
<i>Use of Unneeded Balances:</i>	General Reserve Fund moneys may be temporarily advanced pursuant to Local Finance Law, §165.10.

Reserve Fund for Improvement District In Suburban Towns (Town Law, §55-a)

<i>Purpose:</i>	To finance all or part of the cost of specific object or purpose or a class of objects or purposes (see Local Finance Law, §§2.00, 11.00) which may be constructed, reconstructed, acquired or provided by or on behalf of an improvement district located wholly within a suburban town.
<i>Who May Create:</i>	Suburban towns only.
<i>How To Create And Use:</i>	Authorization for the establishment of the fund is subject to a permissive referendum in the affected district; no referendum required on expenditure (§55-a [1], [3]).
<i>Source of Funds:</i>	Budgetary appropriation; district revenues not required by law to be paid into any other fund or account.
<i>Special Provisions:</i>	Authorization to establish fund must set forth estimated maximum cost of the specific object or purpose or class thereof.
<i>Use of Unneeded Balances:</i>	All or part of an unexpended balance may be transferred to another reserve fund created for the same district; however, if the object or purpose (or class thereof) for which the fund was established has been completed, acquired or provided, a sum sufficient to satisfy all outstanding claims arising from the completion, acquisition or provision must be retained (§55-a [4]).

Reserve Fund for Judgments and Claims In Suburban Towns (Town Law, §55-b)

Purpose: To pay all or part of the cost of judgments or compromised or settled claims against the town, and awards or sums payable pursuant to a determination by a court, or an officer, body or agency acting in an administrative or quasi-judicial capacity.

Who May Create: Suburban towns only.

How to Create And Use: Created by resolution of the town board. Used to pay costs of judgments, settled or compromised claims against certain awards or sums payable by the town.

This fund may also be used to pay all or part of the cost of judgments, claims, awards or determinations arising out of the management, improvement, operation or maintenance of any improvement district within the town. However, the amounts paid must be charged back against the district and must be included in determining the maximum amount of such fund exclusive of investment earnings (§55-B [4]).

Source of Funds: Budgetary appropriation, transfers, amounts raised by tax, revenues not required by law to be paid into any other fund or account.

Special Provisions: May not exceed \$25,000 at any time exclusive of interest earned or capital gains realized from investment of moneys in such fund.

Tax and Revenue Anticipation Fund for Counties (County Law, §372)

<i>Purpose:</i>	Created to purchase tax and/or revenue anticipation notes of the county, or renewals thereof, which are non-interest bearing and so long as they are paid on or before the end of the fiscal year in which purchased.
<i>Who May Create:</i>	Counties only.
<i>How to Create And Use:</i>	Resolution of the county governing board.
<i>Source of Funds:</i>	Budgetary appropriations or other moneys not required by law to be paid into another fund or account.
<i>Special Provisions:</i>	The reserve cannot exceed 30% of the total estimated expenditures as contained in the budget for the fiscal year established. In subsequent years, additional amounts may be paid into the fund, provided that the payments do not increase the total amount of the fund to an amount greater than 30% of the total estimated expenditures as contained in the budget for the fiscal year in which the payment is made (§72[1]). Interest earned is general county revenue (§372[4]).
<i>Use of Unneeded Balances:</i>	All or part of moneys in the fund may be transferred to a reserve fund established pursuant to Article 2 (§6-c et. Seq.) of the General Municipal Law.

IV. Other Provisions

Special Account for Deposit and Use of Proceeds of Certain Obligations (Local Finance Law, §165.00)

<i>Purpose:</i>	For the deposit and use of proceeds from the sale of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes (LFL, §165.00[a]).
<i>Who May Create:</i>	Municipalities, school districts and district corporations.
<i>How To Create And Use:</i>	Must be created upon the receipt of proceeds from the sale of bonds, bond anticipation notes, capital notes, urban renewal notes or budget notes (collectively “obligations”). Such proceeds, inclusive of premiums, must be deposited and secured in a special account in the manner provided by §10 of the General Municipal Law. Such funds generally may not be commingled with other funds, and may be expended only for the object or purpose for which the obligations were issued. In the event that any portion of the proceeds of such obligations are not expended for the object or purpose for which the obligations were issued, such portion may be applied only to the payment of the principal of and interest on such obligations, respectively (§165.00[a]).
<i>Source of Funds:</i>	Proceeds, inclusive of premiums, from the sale of obligations.
<i>Special Provisions:</i>	<p>The finance board of any municipality, school district, or district corporation may adopt resolutions to provide that:</p> <ol style="list-style-type: none">1. The proceeds of capital notes issued in amounts of \$100,000 or less, and of budget notes, need not be deposited in a special account, but may be deposited and commingled with other funds in any account of the issuer. The proceeds still may not be used for any object or purpose other than that for which the capital notes or the budget notes were issued.2. The proceeds from the sale of any two or more issues of obligations need not be deposited in separate special accounts but may be deposited in a single special account which must not be commingled

(continued on following page)

Special Account for Deposit and Use of Proceeds of Certain Obligations (Local Finance Law, §165.00) (Continued)

with any other funds of the issuer. The chief fiscal officer must maintain a separate accounting record of each issue to insure that the proceeds are used only for the object or purpose for which the obligations were issued.

3. Moneys appropriated for a purpose for which bonds, bond anticipation notes, capital notes or urban renewal notes have been authorized may be deposited in the same bank account with the proceeds from the sale of such obligations. Any moneys remaining in such bank account after the object or purpose has been completed or abandoned must be applied to the payment of the principal of and interest on such bonds, bond anticipation notes, capital notes or urban renewal notes.

Any interest earned or capital gain realized on any investment may be applied to either the payment of the principal of and interest on the obligations, the proceeds from the sale of which were used in making such investment, or for any other purpose or purposes for which such obligations were authorized (§165.00[b]).

*Use of
Unneeded
Balances:*

Any moneys remaining in the special account after the object or purpose for which the obligations were issued has been completed or abandoned must be applied to the payment of the principal of and interest on such obligations.

Nuclear Facility Tax Stabilization Reserve Fund (L 2001 Ch. 202)

Purpose: In the case of “municipal corporations” other than school districts (i.e. counties, cities, towns, villages, fire districts or district corporations [L 2001 Ch. 202 §2(2)(b)]), to lessen or prevent any projected increase in excess of 5% in the amount of the real property tax levy needed to finance the “eligible portion of the annual budget” for the next succeeding fiscal year (L 2001 Ch. 202 §2[7][b]).

In the case of school districts, to lessen or prevent any projected increase in the amount of the real property tax levy needed to finance the “eligible portion of the annual budget” for the next succeeding fiscal year as disclosed in the annual school budget presented to the voters for approval (L 2001 Ch. 202 §2[7][a]).

For these purposes, “eligible portion of the annual budget” means:

- (i) in the case of a county, city, village, school or fire district, the general fund portion of the annual budget;
- (ii) in the case of a town, the town-wide general fund, and highway fund portions of the annual budget; and
- (iii) in the case of the part of a town outside any villages, the general fund and highway fund portions of the annual budget for such part of the town (L 2001 Ch. 202 §2[2][a]).

Who May Create: The “finance board” of any “municipal corporation” in which is located at least one “nuclear-powered electric generating facility” (L 2001 Ch. 202 §§2[1], [3]).

For this purpose, “finance board” has the same meaning as in the Local Finance Law (L 2001 Ch. 202 §2[3]). “Municipal Corporation” means a county, city, town, village, school district, fire district or district corporation (L 2001 Ch. 202 §2[2][b]). “Nuclear-powered electric generating facility” means a facility using nuclear power that generates electricity for sale, directly or indirectly, to the public, including the land upon which the facility is located, any equipment used in such generation and equipment leading from the facility to the interconnection with the electric transmission system, but shall not include any equipment in the electric transmission system (L 2001 Ch. 202 §2[2][c]).

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Nuclear Facility Tax Stabilization Reserve Fund (L 2001 Ch. 202) (Continued)

*How To
Create And
Use:*

The fund is created by the “finance board” (L 2001 Ch. 202 §2[3]). There are no supermajority or referendum requirements either to create the fund or to authorize an expenditure from the fund (L 2001 Ch. 202 §2[3], [7]).

*Source of
Funds:*

Budgetary appropriations, but only to the extent that the annual tax payments or payments in lieu of taxes attributable to the “nuclear-powered electric generating facility” and paid to the “municipal corporation” exceed “base nuclear facility taxes” (L 2001 Ch. 202 §2[4]).

“Base nuclear facility taxes” means the total amount of taxes, or payments in lieu of taxes, paid on “nuclear-power electric generating facilities” to the “municipal corporation” for the fiscal year prior to the fiscal year in which the reserve fund is created, exclusive of tax payments, or payments in lieu of taxes, made on “nuclear-powered electric generating facilities” which were exempt for a portion of those tax years pursuant to section 1012 of the Public Authorities Law (L 2001 Ch. 202 §2[4]).

*Special
Provisions:*

The “chief fiscal officer,” within 60 days of the end of each fiscal year, must furnish to the “finance board” and the State Comptroller a detailed report of the operation and condition of the fund during the preceding fiscal year, including a statement of receipts and disbursements, and a statement of the balance of the fund as of the last day of the preceding fiscal year and such other dates as may be specified by the “finance board” (L 2001 Ch. 202 §2[6]).

For this purpose, “chief fiscal officer” has the same meaning as in the Local Finance Law (L 2001 Ch. 202 §2[2][d]).

*Use of
Unneeded
Balances:*

If the “municipal corporation” determines that the fund is no longer needed, the moneys remaining in the fund may be transferred to any other reserve fund authorized by section 3651 of the Education Law or the general fund of the municipal corporation that is comprised of moneys raised on the same tax base as the moneys in the fund. Prior to discontinuance of the fund, the “chief fiscal officer” must certify to the “finance board” that such funds are no longer needed (L 2001 Ch. 202 §2[9]).

Reserve for Uncollected Taxes in a City School District (Education Law §3651[1-b])

<i>Purpose:</i>	To cover uncollected real property taxes for a given tax fiscal year in city school districts (subject to the limitations below).
<i>Who May Create:</i>	City school districts only, provided the city or county is not required to pay to the treasurer of a city school district the amount of unpaid taxes during the fiscal year for which they are levied.
<i>How To Create And Use:</i>	Created by resolution of the governing board, without voter approval, provided that the ratio of the amount of such reserve to the total principal amount of the district's tax levy for the fiscal year is not less than the ratio of the principal amount of the school district taxes as levied for the last completed fiscal year but not received by the district before the end of that fiscal year, to the total principal amount of the tax levy for the last completed fiscal year.
<i>Source of Funds:</i>	Generally, budgetary appropriations.
<i>Special Provisions:</i>	If the city or county is not required to pay to the treasurer of a city school district unpaid taxes pursuant to Section 1332 of the Real Property Tax Law, the board of education of the city school district shall establish a reserve pursuant to this subdivision, provided that such reserve shall not be less than the amount of taxes for the fiscal year for which the budget is being prepared which are estimated to be unpaid during such fiscal year under the Real Property Tax Law.